

Washington, D.C. - In a bipartisan effort, Congresswoman Melissa Bean (D-IL) and Congressman Randy Neugebauer (R-TX), have proposed legislation that would boost Fannie Mae's and Freddie Mac's investment in the roiling mortgage market.

The legislation would increase investment caps on the government-sponsored enterprises (GSEs) by 10 percent. The expansion would sunset after one year.

With regulators and Bush Administration officials seeking to restrict the GSEs at a time when mortgage foreclosures are rising, Bean and Neugebauer said legislation to temporarily lift the caps was the only option.

"American families will be severely harmed by an unprecedented wave of potential foreclosures expected to occur in the next months, as adjustable rate subprime mortgages reset to higher interest rates," the bill states. "The government sponsored enterprises, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation, and any affiliates thereof, are uniquely positioned to provide the financing necessary to alleviate the predicted wave of upcoming foreclosures, and the liquidity necessary to help United States markets."

Last month, Bean and Neugebauer sent a letter to Treasury Secretary Henry Paulson expressing concern about restrictions on the GSEs. They asked Secretary Paulson to support an increase in Fannie Mae's and Freddie Mac's investment portfolio cap. GSEs like Fannie Mae and Freddie Mac were chartered to help more people get access to home loans by investing in the secondary mortgage market, but the Office of Federal Housing Enterprise Oversight (OFHEO) had prevented the enterprises from increasing their investment in the market.

The day after Bean and Neugebauer sent the letter, OFHEO announced a limited plan to increase the caps by 2 percent, spread over a year. The plan was not enough to meet the market's needs. Further, the Bush Administration recently announced plans to increase restrictions on the GSEs.

The proposed legislation, by temporarily lifting the caps, would provide about \$145 billion more in capital for mortgage companies to help troubled homeowners refinance.

The bill is H.R. 3777.

###